

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

PAT0084 – INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

(Foundation in Business)

11 October 2016
9.00 a.m – 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **SIX** pages with **FIVE** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED QUESTIONS [100 MARKS]

Instructions: Answer **ALL** questions. Write your answers in the Answer Booklet.

QUESTION 1

Power Print uses activity-based costing to account for its printer manufacturing process. The company has identified four manufacturing activities. The activities are materials handling, machine setup, assembly of parts, and finishing. The budgeted activity costs for 2017 and their allocation bases are as follows.

Activity	Total Budgeted Cost (RM)	Cost driver
Materials handling	6,000	Number of parts
Machine setup	3,300	Number of setups
Assembly of parts	54,000	Number of parts
Finishing	80,000	Finishing direct labour hours
Total	143,300	

Power Print expects to produce 1,000 printers during the year. The printers are expected to use 3,000 parts, require 20 setups, and spend 2,000 hours of finishing time.

REQUIRED

- Compute the cost driver rate for each activity. (6 marks)
- Calculate the quantities of the cost driver used for one unit of printer. (6 marks)
- Compute the indirect manufacturing cost of each printer. (7 marks)
- Explain 1 (ONE) basic difference between traditional and activity-based costing system. (1 mark)

(TOTAL 20 MARKS)

Continued...

QUESTION 2**Part A**

In a given period, production and cost data were as follows:

Materials	RM6,050
Labour	RM6,960
Overheads	RM3,570
Total cost	RM16,580

Production was 2,300 fully complete units and 200 partly complete. The degree of completion of the 200 units WIP was as follows:

Materials	60%
Labour	50%
Overheads	40%

REQUIRED

Using the **table** below, calculate the followings for every cost element.

- Equivalent unit in WIP (3 marks)
- Total equivalent production units (3 marks)
- Cost per unit. What is the total cost per unit? (2 marks)
- Value of WIP. What is the total value of WIP? (2 marks)

Cost element	Equivalent units in WIP	Fully Complete units	Total Equivalent Production unit	RM Total Cost Per period	RM Cost Per unit	RM value of WIP
			Total			

Continued...

Part B

Rainbow Manufacturing Sdn Bhd manufactures a single product. The following information relates to Rainbow Manufacturing Sdn Bhd for the second quarter of 2017.

	April	May	June
Budgeted sales (units)	200,000	210,000	205,000

Desired inventories (units):	Materials	Finished goods
April, 1	102,000	102,000
April, 30	201,500	102,960
May, 31	115,000	195,500
June, 30	118,800	150,000

Notes:

- 1) One unit of direct material is required to produce one finished product.
- 2) Direct materials cost per unit is RM40.

REQUIRED

Prepare the following budgets for Rainbow Manufacturing Sdn Bhd for the months of April, May and June.

- a) Production budget. The total column is not required. (4 marks)
- b) Direct materials purchase budget (in quantity and value). The total column is not required. (6 marks)

(TOTAL 20 MARKS)**QUESTION 3**

Sweet Scarf Limited produces simple and sweet design of scarf for ladies. The following is the company's information for 2016.

	RM
Direct materials cost per scarf	1.50
Direct labor cost per scarf	1.25
Variable manufacturing overhead cost per scarf	0.25
Total fixed manufacturing overhead costs	10,000
Total fixed selling and administrative costs	40,000
Number of scarfs produced (units)	10,000
Number of scarf sold (units)	9,800
Sale price per scarf	10

Continued...

REQUIRED

- a) Calculate the unit product cost under absorption costing and variable costing system. (5 marks)
- b) Prepare Statement of Profit or Loss and Other Comprehensive Income of Sweet Scarf Limited for 2016 using absorption costing. (7 marks)
- c) Prepare Statement of Profit or Loss and Other Comprehensive Income of Sweet Scarf Limited for 2016 using variable costing. (8 marks)

(TOTAL 20 MARKS)**QUESTION 4**

Cool Tool Limited makes a tool that is aimed at the market in Malaysia. They are considering whether to expand their production capability by a factor of 50% due to increase in the demand. The following information was provided by the cost accountant:

Item	Units/RM
Current sales per year	100,000 units
Selling price per unit	20
Variable cost per unit	8
Fixed cost	150,000

If production is increased, it is anticipated that:

1. Fixed cost will increase by RM57,000
2. Variable costs are expected to fall by RM0.50 per unit due to bulk purchasing of raw materials.
3. The selling price is expected to fall by RM1 per unit for all units.

REQUIRED

For both the present and proposed situations calculate the following.

- a) The contribution per unit (3 marks)
- b) The breakeven point in units. (4 marks)
- c) The breakeven point in sales revenue. (3 marks)
- d) The annual profit. (5 marks)
- e) The margin of safety ratio. (5 marks)

(TOTAL 20 MARKS)**Continued...**

QUESTION 5

JetU Limited makes four components. W, X, Y, and Z, for which costs in the forthcoming years are expected to be as follows.

	W	X	Y	Z
Production (units)	1,000	2,000	4,000	3,000
	RM	RM	RM	RM
Direct materials	8	9	4	6
Direct labour	2	3	1	2
Variable manufacturing overhead	4	5	6	4
Total variable production cost per unit	14	17	11	12

A total of RM55,000 fixed cost is expected to be incurred and the following shows the behaviour of these fixed cost:

	RM
Incurred as a direct consequences of making W	2,000
Incurred as a direct consequences of making X	6,000
Incurred as a direct consequences of making Y	7,000
Incurred as a direct consequences of making Z	10,000
Other common fixed cost	30,000
Total	55,000

The company has the option to buy the components from a supplier. The purchase price would be:

W (RM)	X (RM)	Y (RM)	Z (RM)
10	15	12	20

REQUIRED

Using the template provided below, decide whether JetU Limited should make or buy the components. Show the analysis for each component separately.

Cost of production:

	W	X	Y	Z
	RM	RM	RM	RM
Relevant production cost				

Continued...

Cost of buying:

	W	X	Y	Z
Buying cost				

	W	X	Y	Z
Decision (make or buy)				

(TOTAL 20 MARKS)**End of Paper**